

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6388

BILL NUMBER: HB 1036

NOTE PREPARED: Mar 19, 2007

BILL AMENDED: Feb 27, 2007

SUBJECT: Military Service Credit for TRF Members.

FIRST AUTHOR: Rep. Kersey

FIRST SPONSOR: Sen. Paul

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill grants, under certain conditions, up to six years of service credit in the Teachers' Retirement Fund (TRF) for a member's past active duty military service.

Effective Date: July 1, 2007.

Explanation of State Expenditures: (Revised) There are no specific data concerning the number of teachers who would be affected by this change. The TRF has identified 368 members with military service; however, the Controller of the TRF has stated that the 368 is understated because these data are from the "old computer" system, and that the data from the "old computer" system was not split out from the types of service when downloaded into TRF's current computer system. In addition, the TRF actuary was not able to provide an estimate because of the lack of sufficient data.

For illustrative purposes, the additional liability generated would be approximately \$6,446 per person, per year of military service. There are 332 school corporations, including the 39 charter school corporations. *If* each school corporation had one person who qualifies and that person had three years of military service, the estimated unfunded liability would be approximately to \$6.4 M.

The actual increase in annual payout cost will depend upon the number of teachers affected, their military service, their age, and accrued TRF service characteristics. The fund affected is the state General Fund for the Pre-1996 Fund (Old Plan).

Explanation of State Revenues:

Explanation of Local Expenditures: The 1996 TRF Plan (New Plan) is actuarially funded with a level

percent of payroll, currently 7%. It is unlikely that this bill will require an increase from the current level percent of payroll.

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected: School corporations.

Information Sources: Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.; Tom Abbett, Controller, Teachers' Retirement Fund, 317-232-3826.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITION

Actuarial Funding Method: Any of several techniques that actuaries use in determining the amounts and incidence of employer contributions to provide for pension benefits.